



SC Department of Employment and Workforce

NEWS RELEASE

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For Immediate Release

MEDIA ADVISORY

Good News for Palmetto State Businesses

Federal government will not extend FUTA surcharge which means \$55 million savings for SC businesses

Columbia, SC... South Carolina businesses may soon see a reduction in what they pay for their Federal Unemployment Tax Act (FUTA) liability. The federal government recently announced it will not seek to extend the 0.2 percent employer FUTA surtax scheduled to expire at the end of the month.

On July 1, 2011 the FUTA tax rate will decrease to 0.6 percent—down from 0.8 percent—on the first \$7,000 of each employee's wages. Although the FUTA tax rate was actually 6.2 percent on the first \$7,000 of each employee's wages, if businesses paid their state unemployment taxes (SUTA) on time they received a 5.4 percent credit giving them a net tax rate of 0.8 percent. The net rate will now drop to 0.6 percent.

In 2010, the FUTA rate on most businesses had actually increased from 0.8 percent to 1.1 percent to help the state start paying back the federal loans it had received. Therefore, the rate for 2011, as opposed to 2010, is estimated to go from 1.1 percent to 0.6 percent, almost a 50 percent savings and a reduction of \$35 per employee which also equals a \$55 million savings for South Carolina businesses.

Recent changes to the state's tax unemployment insurance tax system should allow DEW to avoid any additional borrowing in 2011 while continuing to make voluntary payments.

"As a result of the federal government dropping the surcharge in addition to recent legislation passed regarding State Unemployment Insurance Tax rates, our state's businesses will see significant savings in what they pay in taxes at both the federal and state levels," said John Finan, DEW executive director.

Employers are encouraged to continue to follow the DEW at www.dew.sc.gov for the latest updates as we determine whether any other federal tax changes will occur.